



Legislative Bulletin.....June 22, 2011

Contents:

Amendments to H.R. 1249—America Invents Act

Order of Business: The bill is scheduled to be considered on Wednesday, June 22, 2011, under a structured rule ([H.Res. 316](#)). The rule provides for one hour of general debate equally divided and controlled by the chair and ranking minority member of the Committee on the Judiciary. It also provides for an initial 20 minutes of debate on the constitutionality of the bill, which is equally divided and controlled by Judiciary Committee Chairman Lamar Smith (R-TX) and Representative Marcy Kaptur (D-OH). It makes in order only those amendments printed in the Rules Committee [report](#) accompanying the resolution and described below. Additionally, it provides that it shall be in order for the House to consider a single motion that disagrees with any Senate amendment to H.R. 1249 but requests (or agrees) to a conference with the Senate. Lastly, the rule provides for one motion to recommit with or without instructions.

Potential Conservative Concerns with the Rule:

Waives a Points of Order Regarding CUTGO:

- Clause 10 of Rule XXI (CUTGO)—The Rules Committee report notes that “the manager’s amendment...violates clause 10 of Rule XXI because the amendment would have the net effect of increasing mandatory spending by eliminating the savings achieved in the reported version of the bill...the manager’s amendment is reclassifying PTO funding as discretionary, which is consistent with current law and would not impact direct spending or the deficit when compared to the Congressional Budget Office’s spending baseline.”
 - The Manager’s Amendment strips out the section (Section 22) that granted the PTO the authority to keep all of its fee-generated revenue, and, thereby, according to CBO’s score, reduce mandatory spending by \$717 million over ten years. Consequently, the Manager’s Amendment would remove the estimated mandatory savings in the underlying bill as estimated by the Congressional Budget Office. This is the reason the Committee requested a CUTGO waiver.
 - This is the first waiver of CUTGO rules by the Republican Majority in the 112th Congress.

Potential 72 Hour Rule Violation

- Section 2 (b) of the 112th Congress’ House Rules ([H. Res. 5](#)) states that it shall not be in order to consider a bill or joint resolution which has not been reported by

a committee under the third calendar day on which such measure has been available to Members, Delegates, and the Resident Commissioner.

- Although the Manager's Amendment is not a "bill or joint resolution," it makes significant changes to the underlying bill. Therefore, some conservatives may believe that the spirit of Section 2(b) of H.Res. 5 has been broached because the Manager's Amendment to H.R. 1249 was posted to the Rules Committee website sometime on Monday, June 20, 2011 and the bill is scheduled to receive consideration by the full House this afternoon, June 22, 2011.

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AMENDMENTS MADE IN ORDER

#1 **Smith Manager's Amendment (R-TX)** – The amendment makes several substantive and technical changes to the underlying bill. The major revisions are listed below:

- Renames the bill to the "Leahy-Smith America Invents Act";
- Patent and Trademark Office Funding (Section 22): Establishes in the U.S. Treasury a Patent and Trademark Fee Reserve Fund for excess fees collected by the Patent and Trade office (office) each fiscal year above the funding levels the office receives through the annual appropriations process. Fees deposited into this Reserve Fund "may only be used for expense of the Office relating to the processing of patent applications and for other activities, services, and material relating to patents and to cover a share of the administrative costs of the Office relating to patents." These excess fees can only be obtained by the PTO through additional appropriations;
- Clarifies that in a Derivation proceeding—a formal process to resolve a dispute between two patent applicants claiming the same invention—the Patent Trial and Appeal Board has the authority to correct the naming of the inventor;
- Clarifies the Prior User Rights section of the bill (Section 5) with the following:
 - A prior user right's defense in a patent infringement lawsuit applies not only to business method patents but also to a "machine, manufacture, or composition of matter" used in manufacturing or other commercial processes.
 - This defense is based on prior commercial use that must have occurred at least one year before the earlier of either a) the effective patent filing date of the invention or b) the date on which the invention was disclosed to the public in a manner that qualifies for the exception from prior art.
 - **Exception for Universities**—this defense may not be asserted against a university (or technology-transfer company) that facilitates the commercialization of technologies developed by a university unless the invention is for a purpose that the federal government refuses to subsidize.
- Shortens the time frame that a petitioner may bring a request for a Post-Grant Review (Section 6) of a granted patent from 1 year after the patent is granted to nine months;

- Includes institutions of higher education as eligible entities to qualify for “micro entity” status (i.e., lower fees for patent services). In other words, an inventor who is employed by a university or who assigns or conveys an invention to a university qualifies for lower “micro entity” fee status. The PTO Director’s authority to adjust the reduced fee schedule for micro entities sunsets after seven years (originally six years in the original base text);
- Increases the fees for patent services by 15% ten days after enactment of the bill until the PTO has the authority to set its own fees (as granted to the PTO under Section 10 of the bill);
- Provides for a new \$4,800 charge to inventors who desire to receive prioritization of the patent application until the PTO has the authority to set its own fees (as granted to the PTO under Section 10 of the bill);
- Revises the Marking provision (section 16) by striking the three-year safe harbor and post-three-year safe harbor with a cleaner application: the patent holder remains protected after the patent expires if he or she “virtually” marks the product as provided in the bill or posts updated information on the Internet as provided in new Section 297(a) of the Patent Act;
- Reduces the sunset date of the new Transitional Program for Covered Business Method Patents (Section 18) from ten years to eight years;
- Codifies the Weldon Amendment that has been a pro-life rider to every appropriations bill funding the office since fiscal year 2004. This language forbids the patenting of inventions “directed to or encompassing a human organism” (i.e., cloning). This makes permanent in law what is currently required to be included in the annual appropriations bills.
- Strikes a provision (section 27), Calculation of 60-day period for application of patent term extensions;
- Adds a new provision requiring a study regarding diagnostic testing used to confirm previous testing results; and
- Numerous technical and conforming edits.

#2 **Conyers (D-MI)/Rohrabacher (R-CA)** – This amendment would transition U.S. patent law to a first to file system 90 days after issuance of a Presidential Executive Order declaring that other major patent authorities (defined to mean at least Europe and Japan) have adopted similar one-year grace periods. The term “grace period” is defined as the one-year period ending on the effective filing date of a claimed invention, during which disclosures of the subject matter by the inventor (or joint-inventor, or by others who obtained the subject matter) directly or indirectly from the inventor do not qualify as prior art to the claimed invention.

#3 **Baldwin (D-WI)/Sensenbrenner (R-WI)/Kind (D-WI)** – This amendment strikes Section 5* (Prior User Rights) and conforms the bill to the previously House-passed patent reform bill in 2007 (H.R. 1908) and the most recent patent reform bill in the Senate this year (S.23).

#4 **Moore (D-WI)** – This amendment directs the U.S. Patent and Trademark Office (PTO) to develop methods for studying the diversity of patent applicants, including those applicants who are minorities, women, or veterans.

#5 **Jackson-Lee (D-TX)** – This amendment adds a sense of Congress to the that bill that it is important to protect the rights of small businesses and inventors from predatory behavior that could result in cutting off innovation and providing an undue advantage to large financial institutions and high-tech firms.

#6 **Lujan (D-NM)** – This amendment adds requirements to the PTO satellite office location process in Section 23 of the bill to ensure that 1) the purposes of establishing satellite offices are achieved; 2) recruitment costs are minimized by considering the availability of knowledgeable personnel in the region; and 3) the economic impact to the region is considered. It also requires the PTO Director to provide a rationale of how the selected PTO satellite locations will achieve the purposes of the satellite office expansion as well as how the required considerations were met.

#7 **Peters (D-MI)/Renacci (R-OH)** – This amendment requires the PTO to use existing resources to report to Congress within 120 days how the PTO, Small Business Administration, and other agencies can assist small businesses to obtain, maintain, and enforce foreign patents including establishing dedicated loan and grant programs for small businesses to defray the costs of foreign patent administration.

#8 **Polis (D-CO)** – This amendment clarifies that previously filed (and pending) tax planning patent applications at the PTO are exempt from Section 14 Tax Strategies Deemed Within the Prior Art’s prohibition. In other words, only patents filed on or after enactment of this bill that address strategies for reducing, avoiding, or deferring tax liability, whether known or unknown at the time of the invention or application for patent, will not be patentable.

#9 **Conyers (D-MI)/Markey (D-MA)/Neal (D-MA)/Pompeo (R-KS)/Garrett (R-NJ)/Lance (R-NJ)/Gallegly (R-CA)** – This amendment restores Section 27* in the original bill relating to the calculation of a 60-day period for application of patent term extension, which the Manager’s Amendment stripped out of the bill after Section 27 passed by voice at the full committee markup. According to the Judiciary Committee, this amendment retroactively authorizes certain parties to pursue patent-term-extension applications that previously had been filed after the statutory deadline. The amendment applies retroactively to applications filed as early as 2001. Some reports indicate this amendment is designed to benefit the Medicines Company, a pharmaceutical manufacturer that missed the deadline for seeking a patent-term extension for its drug Angiomax. If the amendment is approved, Medicines Company will be able to delay the launch of a generic version of Angiomax by an additional five years.

The PTO opposes this amendment because it has made clear that it does not want to be put in the position of being empowered to grant dispensations to parties that have filed patent applications after their statutory deadlines. This invites intense lobbying of the

PTO. Also, the PTO does not know how many other past late-filed patent applications this amendment will subject to eligibility for a patent extension.

Supporters of this amendment contend that the amendment addresses confusion regarding the method of determining the deadline for filing patent term extension applications under the Hatch-Waxman Act. The PTO and the Food and Drug Administration had adopted inconsistent interpretations of the same statutory language. The amendment clarifies that where the FDA notifies a company after normal business hours that its drug has been approved, the time for filing a patent term extension application does not begin to run until the next business day. Supporters argue that adoption of this amendment will confirm a recent federal court decision¹ to prevent future PTO Directors from interpreting the provision inconsistently going forward.

#10 *Speier (D-CA)* – This amendment directs the PTO to prescribe a requirement that parties provide sufficient evidence to prove and rebut a claim of derivation. The term derivation refers to a proceeding (“derivation proceeding”) to resolve the identity of the true inventor when a dispute arises between inventors who filed patent applications for substantially the same invention. If a patent applicant steals or “derives” a material aspect of the claimed invention from another inventor, the patent will not issue.

#11 *Waters (D-CA)* – This amendment includes a severability clause to the bill protecting the remainder of the bill’s provisions should the Supreme Court of the United States determine that certain sections or provisions of the bill are unconstitutional.

#12 *Sensenbrenner (R-WI)* – This amendment strikes Section 3* of the bill. Section 3 has garnered a lot of attention and intense lobbying because it transforms long-standing and existing U.S. patent law from a first to invent to a first inventor to file system.

#13 *Manzullo (R-IL)* – This amendment strikes Section 10* (Fee Setting Authority) of the bill which provides the PTO Director the authority to set patent and trademark fees without the consent of Congress. Under current law, Congress sets these fees. It also establishes an electronic filing fee incentive for patent applications.

#14 *Rohrabacher (R-CA)/ Kaptur (D-OH)* – This amendment creates a new section in the bill that eliminates post-grant reviews and reexaminations proceedings for individual inventors and small businesses with 100 or fewer employees.

#15 *Schock (R-IL)/Boren (D-OK)/Waters (D-CA)/Sensenbrenner (R-WI)/ Franks (R-AZ)/ Kaptur (D-OH)* – This amendment strikes Section 18* of the bill, the Transitional Program for Covered Business Method Patents. Supporters of this amendment include Intellectual Ventures, Trading Technologies, Data Treasury, Walker Digital, U.S. Business Industry Council, and Eagle Forum.

This amendment is opposed by the National Retail Federation, the Independent Community Bankers of America, the U.S. Chamber of Commerce, the American Tort

¹ *Medicines Company v. Kappos*, et al., 731 F. Supp. 2d 470 (E.D. Va. 2010).

Reform Association, the Credit Union National Association, the American Bankers Association, and the American Insurance Association.

**Denotes that reference to a provision or section of the bill that has been analyzed in the recent [RSC Policy Brief: Issues of Note on H.R. 1249, Patent Reform Legislation](#)*